

**MINUTES OF THE
NATURAL RESOURCES APPROPRIATIONS SUBCOMMITTEE
January 24, 2007
Room W130, West Office, Building, State Capitol Complex**

MEMBERS PRESENT: Sen. Dennis Stowell, Co-Chair
Rep. Ben Ferry, Co-Chair
Sen. Margaret Dayton
Sen. Mike Dmitrich
Sen. John Valentine
Rep. Roger Barrus
Rep. Jack Draxler
Rep. Carl Duckworth
Rep. Kerry W. Gibson
Rep. James R. Gowans
Rep. John G. Mathis
Rep. Michael E. Noel
Rep. Steve Sandstrom

MEMBERS ABSENT: Sen. Dmitrich and Sen. Valentine

STAFF: Ivan Djambov, Fiscal Analyst
Diane Obeshaw, Committee Secretary

Note: A list of visitors and a copy of handouts are filed with the committee minutes.

SPEAKERS: Kevin Carter, Director of SITLA Michael Morris, Chairman of SITLA's Board of Trustees John Ferry Vice Chairman of the Board, SITLA's Lisa Schneider, State Office of Education Margaret Bird, Auditor Tim Osterstoff, FFSL Joel Franden, Dan Tuttle,

Sen. Stowell called the meeting to order at 2:15 p.m. He also moved to approve the minutes of January 17, 2007. The motion passed unanimously with Rep. Sandstrom absent for the vote.

MOTION: Rep. Gibson moved to approve the minutes of January 18, 2007. The motion passed unanimously with Rep. Sandstrom absent for the vote.

Fiscal Analyst Ivan Djambov began by describing information about SITLA (School and Institutional Trust Lands Administration), he shared how they began as a Quasi-governmental independent state agency in 1994 to manage all school and institutional trust lands and associated assets. It is to make money from school and institutional trust lands and assets for their beneficiaries, the majority being the Utah School Children. Part of the revenues they generate goes for SITLA's operation and capital expenditures and the rest is deposited into the permanent school fund.

He continued by summarizing from one of his hand-outs the building blocks that this committee

has authorized this agency to use for FY 2006. He went on to discuss their accountability of how the money was spent. The agency reported that they had a balance of \$1.7 million left over from FY 2006. The Agency reported that of that amount, \$1.3 million was given to the beneficiaries and \$351,000 was spent elsewhere. They stated that the majority of that \$351,000 went to the capital development.

Mr. Djambov went on to discuss an Issue Brief - SITLA Compensation. He stated that the purpose of this Issue Brief was to update the members of Natural Resources Appropriation Subcommittee on SITLA's compensation expenditures. He stated that the cost per FTE for SITLA has increased since FY 2003 by 32 percent, from \$64,400 in FY 2003 to \$85,000 in FY 2007. This growth is almost two times higher than the state average. The main reason for the higher personnel cost is the bonuses and the additional salary increases SITLA employees have received. Currently SITLA has two bonus incentive plans: The Executive bonuses, which are issued by the Board and for Executive Management only. And Staff bonuses, which are issued by the SITLA Director for all full-time employees. Since 1997, SITLA has spent \$2,311,000 on bonuses for its approximately 60 FTE's. Approximately one half of the bonuses are spent for SITLA's executive management. The bonuses are awarded based on meeting board revenue goals, as well as some specific objectives for the management team to accomplish during the fiscal year. Since 1997, SITLA board has spent \$1,180,000 in bonuses paid to 5-8 executive managers.

These bonuses have ranged from \$4,000 to \$40,000 per person per year. The total amount of executive bonuses has continued to grow over the years from \$45,000 in FY 1997 to \$171,000 in FY 2006. Some of these bonus amounts are much higher than currently allowed by DHRM (Dept. of Human Resource Management) rules. However, Utah Code 53C-1-201(3)(d)(v) exempts SITLA from these restrictions and allows the board to establish their amounts. Under this plan, each SITLA full-time employee is eligible for at least a \$2,000 bonus per year. This plan has grown from \$70,750 in FY 1998 to \$178,900 in FY 2006. The total funding spent for staff bonuses in the last ten years is \$1,130,900. In contrast to the executive bonuses shared by 5-8 individuals, staff bonuses are distributed among more than 60 employees.

Another reason for the higher-than-average employee costs for SITLA is due to salary increases. For example, between FY 2006 and FY 2007, SITLA staff received 3.5 to 41 percent salary increases, the total costs of which will be nearly \$450,000 per year. Part of this increase was due to the 3.5 percent COLA appropriated in FY 2007 to all state employees. In addition to that, 82 percent of SITLA staff were given raises ranging from 2 to 37 percent. Some of the additional increases were provided to staff as an incentive to switch from "career employees" to "at-will" status. The total cost for these additional salary increases (above the 3.5 percent COLA) is nearly \$300,000 per year. This amount does not include bonuses.

The next item Mr. Djambov went over was the Budget Brief - SITLA's Administration for requests of monies for this year. Due to SITLA's emphasis on capital development on state trust

lands, the agency's capital budget has increased from \$1.7 million in FY 2001 to \$8.8 million in FY 2007. There are also immediate plans for part of the budget to grow even further. For better oversight and accountability of the usage of the capital funding, the Analyst recommends the Legislature authorize the creation of a Capital Line Item in SITLA's budget. SITLA is requesting for FY 2008, from the restrictive account, an ongoing appropriation of \$78,000 to hire a Solid Mineral Coordinator. The Analyst recommends the Committee fund this request.

The next request SITLA is making for FY 2008 is for a one-time appropriation of \$85,000 from the restrictive account to contract with the Attorney General's office for an attorney who can provide support to local law enforcement officials, to assist in the prosecution of crimes committed against trust land assets. The same amount was funded in the last two years. The Analyst recommends the Committee fund this request.

The next request is for Range Improvements. SITLA intends to spend 10% of the fees collected from grazing permits to make rangeland improvements, such as re-seeding, water development, brush control, etc. The agency is requesting for FY 2008 an ongoing appropriation of \$70,000. The Analyst recommends the Committee fund this request.

Additionally, the agency is requesting appropriations of \$50,300 in order to hire an Auditor I to perform oil and gas audits. The Analyst recommends the Committee fund this request.

And lastly, SITLA is requesting funding to contract for professional services in addressing land exchanges. It is anticipated that the need for these additional funds will be for the next two years. The Analyst recommends the Committee provide for FY 2008 a one-time appropriation of \$38,900.

SITLA's goal is to maximize the revenues from the state trust lands on behalf of their beneficiaries and their personal bonuses. FY 2006 was a record-setting year for SITLA in terms of generated revenues: \$140 million coming from the operations, exceeding the revenues goal by \$64 million. As in the past, more than half of the revenues in FY 2006 were generated from SITLA's Oil and Gas Program.

The Analyst intended to discuss the Accountability Report with Expenditures from the agency, but it turned out that the figures he was given from the agency were inaccurate so he then allowed the agency to explain to the Committee and to the public in attendance.

SITLA's Kevin Carter and Chairman of SITLA's Board of Trustees Michael Morris, as well as John Ferry Vice Chairman of the Board then asked to share the frustrations they have so they asked their Financial Officer, Lisa Schneider to give final numbers from the mandated government accounting program they have to use in order to report all their revenues. Ms. Schneider stated that part of their frustrations was the timing of the request and the difference of computer their agency is using vs the Analysts software. But she stated that they'll

do a better job at communicating their budget information better next year and in the future.

Mr. Carter then began reporting information about their (pipeline & roads) Easement Program. The revenue that was improved in their previous years request was approximately \$200,000 and then \$500,000 last year and this year to date they're at \$1.2 million.

Margaret Bird, State Office of Education then spoke about how they are the 'watchdogs' over the SITLA Program and they are very pleased with the funding of their schools. She claims that SITLA has gone from \$18 mill to \$805 million in revenue.

Auditor Tim Osterstoff with Legislators' Office spoke about looking at their bonus programs. They were comparing public vs private sectors vs quasi organizations. Utah BLM, Utah State Fair, Utah Housing Organizations are just a few of the comparisons they looked at.

Mr. Carter then moved the subject over to the needs of a solid coal mine administrator. He expressed his concern over the problem of stealing they have been experiencing over the past few years. People have been stealing items such as timber and landscape stone from their properties. He then went on to re-iterate their Land Improvement needs as the Analyst mentioned earlier.

Fiscal Analyst Mr. Djambov had a chance to discuss the Budget Brief - Forestry, Fire and State Lands. He went over an accountability table hand-out. that provided the balance of funds of \$1,375,876 from the FY 2006 appropriations.

The Analyst then went over the Forestry, Fire and State lands Budget Brief. He shared how that Division manages the state's sovereign lands and provides forestry conservation and fire control activities on non-federal, forest, range, and watershed lands. He stated that the Division is requesting for FY 2007 a supplemental appropriation of \$8,225,000 from the General Fund in order to cover fire suppression cost exceeding the available funds in the Fire Suppression Program. the Analyst recommends the Committee place this request on its priority list for the Executive Appropriations Committee. He stated that "if the burned areas are not promptly reseeded with appropriate types of vegetation, there is a great likelihood of floods, mud slides, new fires, etc." The Division is requesting funding to re-seed the areas after fires. The Analyst recommends the Committee place on its priority list for FY 2008 a request for one-time appropriation of \$1,000,000 from the General Fund.

Joel Frandsen Division of Fire & Forestry, had a chance to talk along with Roger Lewis Fiscal Director, Deputy Director Dick Buhler and Dan Tuttle, Co-Chair of their advisory panel. They explained what some of the many services they perform such as technical forestry assistance to private land owners, the communities and other state agencies, wild-land fire protection for all

state lands regardless of jurisdictions as well as manage the State Trust Lands. They went on to talk about their challenges also such as employee turn-overs. But they are working with Human Resources to find ways to retain their people. They also shared with the Committee several of their accomplishments in 2006 such as the Nat'l. Arbor Day Foundation in 44 Utah cities.

MOTION: Sen. Dayton moved to adjourn the meeting at 4:20 p.m. The motion passed unanimously with Rep. Barrus, Rep. Gibson absent for the vote.

Rep. Ben Ferry, Co-Chairman

Sen. Dennis Stowell, Co-Chairman

